

WOOL MARKET WEEKLY REPORT

Sale Week 22 Fri 1st Dec 2017



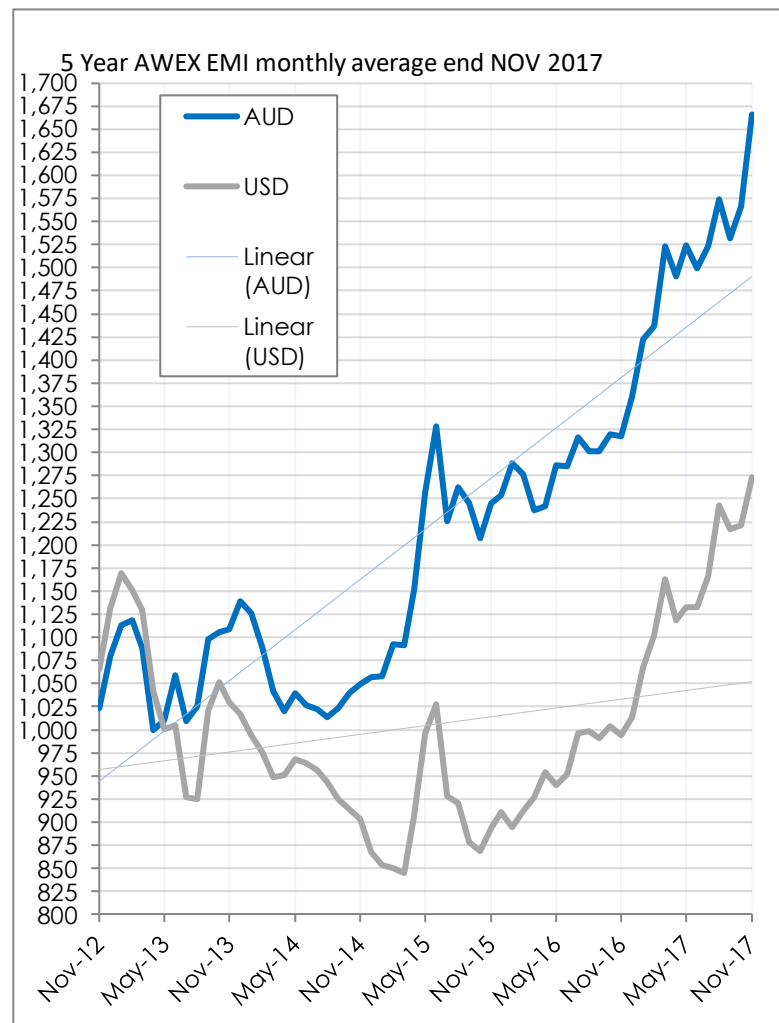
Offering—Aust. only		Currency movements		
Bales offered	49,058	AUD:USD	0.7585	- 0.47%
Passed-In %	4.4 %	AUD:CNY	5.0101	- 0.29%
Bales Sold	46,912	AUD:EUR	0.6394	- 0.70%
Season Sold	787,154	RBA close rate Thurs 30th Nov 2017		

Eastern Market Indicator (EMI)			
AUD	1676 ac/kg	+ 7 ac/kg	+ 0.42%
USD	1271 usc/kg	- 1 usc/kg	- 0.05%
CNY	83.97 ¥/kg	+ 0.10 ¥/kg	+ 0.12%
EUR	10.72 €/kg	- 0.03 €/kg	- 0.28%

AWEX Auction Micron Price Guides.

Sales held Tues 28th Wed 29th, Thurs 30th Nov 2017

MPG	Sydney	Melbourne	Fremantle
17mic	2459 -1	2467n +16	-
18mic	2270 -7	2291 +18	2206n +23
19mic	1999 +14	2009 +26	1976 +8
20mic	1773 +15	1770 +23	1758 +14
21mic	1649 +13	1644 +6	1635 -1
22mic	1569n +16	1561 +13	1549n +1
23mic	-	-	-
24mic	-	1361n	-
25mic	1183n -14	1211n -2	-
26mic	1035 -20	1051 +7	-
28mic	718 -13	734 =	-
30mic	534 -25	536 -3	-
32mic	423n -12	425n -14	-
MCard	1382n +1	1389n -4	1393n +12



Riemann Wool Platform- Major Forward trades past week			
Maturity month	Type	Price	Trade weight
January 2018	19.0 micron	1960 / 1970	12,500
February 2018	21.0 micron	1610	10,000
March 2018	18.0 micron	2180	12,500
March 2018	21.0 micron	1595 / 1610	17,000
April 2018	21.0 micron	1565 / 1590	25,000
August 2018	19.0 micron	1855 / 1870	16,000
January 2019	19.0 micron	1700	2,500
VARIOUS	61,000kgs trades at www.riemann.com.au		
Total			156,500 kgs

Scheduled Australian Wool Auction Sales		
Sale week commencing	2017/18 forecast	2016/17 actual
Week 23 04/12/2017	50,828 bales	52,412 bales
Week 24 11/12/2017	47,496 bales	55,468 bales
Week 25 18/12/2017	RECESS	RECESS

AWI Commentary

The cheaper market seen at Australian wool auctions last week has failed to turn into a trend, with the market rebounding nicely this week. All Merino types have either stabilised around their established values or increased in price to varying degrees. Crossbred wools showed some signs of stability but some minor losses were recorded for the week. The carding segment of the offering has maintained its strong levels and traded mostly firm unchanged throughout on an indicator level across all types in that sector, even though some pluses and minuses were evident in specific types.

The AWEX EMI (Australian Wool Exchange - Eastern Market Indicator) re-joined the positive trajectory it has been on and added 7ac clean/kg to close the week's selling at 1676ac clean/kg. In USD the EMI lost just a single US cent to 1271 usc clean/kg, with the rise in the local market negated by the 0.5% loss in value of the AUD for the week on week comparison.

The talk on show floors this week still revolved around those who had cash and those that did not. Large volumes for sale and the much higher cost per bale generally have buyers finances stretched to the limit. This situation should be alleviated somewhat in the coming week or two as November shipments are due and L/C's (letters of credit) are opened allowing for buyers to regain their full budget limits for purchasing.

Strong demand for prompt and nearby shipment is still being reported from various global destinations. Some mills are still in need of raw wool requirements prior to the Christmas recess in order to keep production flowing and fabric and garment orders fulfilled in time into the New Year. The return of funds to buyers accounts should enable these manufacturers the access to forward contracts at fixed prices, as their suppliers are able to fully participate at auction and cover off the price risk for the trading partners. Alternatively, buyers should now be in a cash positive position to also offer indent orders to their clients, with zero risk at an albeit low margin, and a quick return of funds an attractive proposition for the immediate two weeks prior to the Christmas recess in selling.

A continuation of the top three or four auction buyers dominating the purchasing, weakened somewhat this week. Their purchasing levels were diluted to some extent as other buyers stepped up and took advantage of the less aggressive approach from the big guns. As one or two companies dropped out, there were two or three that involved themselves more and by mid week had inevitably created a strengthening market once again.

With just two weeks of auctions left to sell prior to the three-week break over Christmas and New Year, the 50,000 bales offering next week is sure to be greeted enthusiastically by exporters. The strange price pattern set last week has seemingly been proven to be an anomaly and the strong trend in play for years now is tipped to be pushed through to the sale break.

AWTA Key Test Data Summary for November 2017

- November 2017 compared with the same month of testing last season are minus 2.3% by bales and minus 2.2% by weight.
- July 2017 – November 2017 compared to the same period last season show 5.1% more bales and 4.6% more weight tested
- AWTA Ltd has tested 159.6 mkg (million kilograms) this season compared with 152.5 mkg for the equivalent period last season.

AUD Commentary - SA Markets

The underlying weakness in the Aussie Dollar (and by extension the Aussie economy) was exposed this week when the Aussie failed to rally against a falling USD. The Aussie however started the week on a strong note rising on Monday to a high of .7644, before falling to a low Thursday of .7556, and today (Friday) is trading quietly at .7565. Globally data released this week from the U.S , IMF and from Europe clearly shows a pick up in growth and spending, and a number of commodity and equity markets are already reflecting this. On Thursday night, comments from Senator John McCain backing the Republican tax plan, put a rocket under U.S Equities, with the Dow soaring through 24,000 for a new record high, to be up more than 21% in 2017. Surprisingly the USD actually fell on Friday as rumours swirled that the popular US Secretary of State Rex Tillerson was about to be replaced. Elias Haddad, Senior Currency Strategist at the Commonwealth Bank, said the Aussie's fluctuations this week were ruled by the USD. He also said data out overnight showed U.S Inflation remaining below the Fed's 2% objective, reinforcing the view that the interest rate normalisation process in the U.S will be gradual. On the positive side for the Aussie Economy, Iron Ore rallied to a 10 week high of \$US70 a ton and Chinese manufacturing data easily beat expectations. Oil Prices remain near a 2 year peak with benchmark Brent Crude at \$63.57, while Australian Building approvals surprised with jumped of 0.9 percent on month in October, easily beating forecasts of 1.0% decline, while on a yearly basis, approvals surged 18.4% again beating expectations for 14.1% rise.

Technically the Aussie still remains confined within a large sideways trading pattern, albeit it is trending slowly lower at the moment, however, there is some technical divergence on the charts and we expect a near term reversal with a possible strong rebound back to 0.7820 resistance. There is strong chart support for the Aussie at .7512 then .7380.

SA Markets Wool Forwards report

The forward market gained confidence as the spot auction looked to find a base. Growers looked to take advantage of buyer interest in the first half of next year. The 19.0 micron index traded between 1950 to 1970 in the January to April period with hedgers locking in at historic levels. 21.0 microns traded above 1600 to March. This represents 100 cents above the yearly average and 350 cents above the 10 year average. The Riemann platform traded 156 tons this week which is around 2.5% of the underlying physical. Whilst still only representing a small percentage of the clip momentum appears to be building as growers are valuing certainty and locking in margins. Feedback from producers that have hedged multiple times across the last months is that although the market has maintained its momentum their hedging strategies have delivered only good or better long term outcomes.

We expect buyer interest to remain solid. With only two auction weeks remaining for the year exporters will be focusing on cleaning up their pre Christmas commitments and laying a platform for the first quarter. With the cost of financing high at current spot levels exporters will be looking for early new year cover which may present some good opportunities for growers over the next fortnight.

Anticipated trading levels next week

	19.0mic	21.0mic
Dec 2017	1970	1610
Jan/Feb 2018	1960	1610
Mar/Apr 2018	1950	1590
May/June 2018	1930	1560

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